

EXHIBIT B

(Competition)

Republicans and Higher Education in Texas: A Crisis and an Opportunity

by Publius Audax¹

Texas faces a massive budget shortfall in the next biennium, and the State's options are limited by court decisions (K-12 education) and federal mandates (health care). The budget axe will fall disproportionately in the area of higher education

This juncture provides both great opportunities and great peril for the Texas Republican party. If the Republican legislature simply cuts the higher education budget, without further reforms, the universities will make the cuts as painful to students as possible, while protecting administrators and politically favored ("prestigious") professors. We can expect them to:

- increase tuition and mandatory fees
- slash financial aid, especially for the middle class
- cap enrollment in popular programs, like business.

Republicans in the legislature will be the scapegoats for these draconian cuts, incurring a political backlash from students, parents and alumni. The GOP could lose the support of an entire generation of youth, perhaps forever. Consider, for example, the violent reactions of students in Britain and California to recent austerity measures:

"Violent Protests Follow UK Fee Vote" <http://on.wsj.com/eGREq2>

"Berkeley Students Protest Higher Fees" <http://on.wsj.com/flfF5Z>

There is, however, a hidden opportunity that, if intelligently exploited by GOP leaders, can turn this around, actually winning support from college students while saving billions for the taxpayers.

This opportunity is a result of one simple fact: the higher education system is primarily organized for the benefit of its administrators and faculty, not students.

The Texas electorate is well aware of this fact, as a recent survey by the Texas Public Policy Foundation confirmed. 71% of Texas voters believed that Texas state universities could improve teaching while cutting costs. <http://bit.ly/h7Scej> As is so often the case, Texas voters are absolutely right.

The time has come to end the exclusive reliance on the bureaucratic, top-down, central-planning, Soviet-style model in higher education and to turn instead to the miracle of the free market, providing teachers and administrators with real incentives to improve teaching while cutting costs.

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What is to be Done

Get Higher Education Dollars Directly into the Hands of Students

1. Zero out all direct appropriations to state colleges and universities, a savings of at least \$15 billion. Instead, use some proportion of that amount (say, 75%) for scholarships that can be used by any Texas resident at any college in the state, private or public.
2. Pass a constitutional amendment channeling the returns from the Permanent University Fund to direct student aid for all students, as Colorado did successfully in 2004. The present arrangement encourages a wasteful over-investment in bricks and mortar.

Free Students from the Heavy Hand of Bureaucrats and Faculty Senates

3. Eliminate, or at least drastically scale back, the State's 42-hour mandatory "core". A 12-unit core (e.g., 3 each in American government, American history, math and science) would be sufficient. Instead, require all bachelors' programs to permit student at least 30 hours of free electives.
4. Enable private colleges and for-profit companies to create charter colleges, empowered to offer courses and degrees on state campuses.

Provide Colleges, Departments and Individual Professors with both the Freedom and the Incentive to Teach

5. Tie the salaries of administrators to the number of students enrolled in their programs, and tie the salaries of professors to the number of students they teach. At the same time, impose a mandatory grade curve (e.g., no more than 50% As and Bs), with deviations from the curve resulting in proportional deductions in salary.
6. Empower professors to teach as many students in as many sections of whatever courses they choose, and to hire their own teaching assistants, in order best to meet student demand.
7. Enable colleges, departments and individual professors to rebate tuition for their courses directly back to students, with the rebates deducted from their salaries. This will bring real price competition between teachers and programs, holding down spiraling tuition costs.

Students will see an immediate improvement in their freedom of choice and in the quality of educational opportunities, as for the first time real resources will follow them, inducing competition among professors and programs to provide students with the best instruction. For the full proposal, see " Needed Reforms for Public Higher Education in Texas," <http://bit.ly/ihRfjb>